

TOWNSHIP OF ALLEN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Allen	County Hillsdale
Fiscal Year End March 31, 2006	Opinion Date May 26, 2006	Date Audit Report Submitted to State June 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Control over Financial Reporting	
Certified Public Accountant (Firm Name) Osbourne, March, Condon & Co., P.C.		Telephone Number 517-439-9331	
Street Address 184 W. Carleton Road		City Hillsdale	State MI
		Zip 49242	
Authorizing CPA Signature Donna J. Hecht, CPA		Printed Name Donna J. Hecht, CPA	
		License Number 1101025151	

TOWNSHIP OF ALLEN

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Osbourne, March, Condon & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Allen
Hillsdale County, Michigan

We have audited the accompanying financial statements of each fund of the Township of Allen, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balances at April 1, 2005. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

The accompanying financial statements do not present government-wide financial statements to report the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Allen as of March 31, 2006 or the changes in its financial position for the year then ended.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 1, the Township has implemented elements of a new financial reporting model, as required by the provisions of the GASB Statement No.34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and the related statements as of April 1, 2005.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2006 on our consideration of Township of Allen, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of the audit and, in considering the results of the audit, should be read along with the auditor's report on the financial statements.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
May 26, 2006

TOWNSHIP OF ALLEN
GOVERNMENTAL FUNDS
BALANCE SHEETS

MARCH 31, 2006

	GENERAL FUND	FIRE GRANTS FUND	PERMANENT FUND CEMETERY CARE	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and deposits	\$ 111,184	\$ 6,321	\$ 2,000	\$ 119,505
Due from other governments	3,392			3,392
Due from other funds	58,064			58,064
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 172,640</u>	<u>\$ 6,321</u>	<u>\$ 2,000</u>	<u>\$ 180,961</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue	\$	\$ 1,340	\$	\$ 1,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Reserved	\$	\$ 4,981	\$ 2,000	\$ 6,981
Unreserved, undesignated	172,640			172,640
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 172,640</u>	<u>\$ 4,981</u>	<u>\$ 2,000</u>	<u>\$ 179,621</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 172,640</u>	<u>\$ 6,321</u>	<u>\$ 2,000</u>	<u>\$ 180,961</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE GRANTS FUND	PERMANENT FUND CEMETERY CARE	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property tax	\$ 44,606	\$	\$	\$ 44,606
State grants	98,532			98,532
Federal grants		38,653		38,653
Cemetery lots	5,132			5,132
Dust control	3,180			3,180
Administrative fees	16,685			16,685
Miscellaneous	8,427	7	32	8,466
Rents	840			840
Fire calls	8,550			8,550
TOTAL REVENUES	<u>\$ 185,952</u>	<u>\$ 38,660</u>	<u>\$ 32</u>	<u>\$ 224,644</u>
EXPENDITURES				
General government	\$ 84,954	\$	\$	\$ 84,954
Roads and bridges	17,731			17,731
Solid waste	7,960			7,960
Cemetery	11,983			11,983
Fire protection	33,171			33,171
Dust control	12,767			12,767
Parks and recreation	1,500			1,500
Capital outlay		39,029		39,029
TOTAL EXPENDITURES	<u>\$ 170,066</u>	<u>\$ 39,029</u>	<u>\$</u>	<u>\$ 209,095</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 15,886</u>	<u>\$ (369)</u>	<u>\$ 32</u>	<u>\$ 15,549</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 810	\$ 4,444	\$	\$ 5,254
Operating transfers out	(4,444)	(778)	(32)	(5,254)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>\$ (3,634)</u>	<u>\$ 3,666</u>	<u>\$ (32)</u>	<u>\$</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ 12,252	\$ 3,297	\$	\$ 15,549
FUND BALANCE - BEGINNING	<u>160,388</u>	<u>1,684</u>	<u>2,000</u>	<u>164,072</u>
FUND BALANCE - ENDING	<u>\$ 172,640</u>	<u>\$ 4,981</u>	<u>\$ 2,000</u>	<u>\$ 179,621</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN
FIDUCIARY FUND -
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2006

	AGENCY FUND - TAX COLLECTION
ASSETS	
Cash and deposits	<u>\$ 58,064</u>
LIABILITIES	
Due to general fund	<u>\$ 58,064</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRIMARY GOVERNMENT

The Township of Allen (the "Township") was organized in the 1800's and covers an area of approximately 36 square miles. The Township operates under a part time elected Township Board (five members) and provides service to its more than 1,200 residents in the areas of general government, fire protection and maintenance of roads, bridges and cemeteries.

BASIS OF PRESENTATION

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Township utilizes governmental and fiduciary funds.

The governmental fund financial statements present the Township's individual major funds. A separate column is shown for each fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. The fiduciary funds are reported by type.

The Township reports the following governmental funds:

General Fund – The General Fund is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund.

Fire Grants Fund - The Fire Grants Fund accounts for the activity of Federal and other grants received for specific purposes within the Fire Department.

Permanent Fund (Cemetery Care) – The Cemetery Care Fund is a trust created to provide revenue for cemetery operations.

Additionally, the Township presents the following fiduciary fund:

Agency Fund – The Agency Fund is used to account for assets held as an agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONCLUDED)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

BUDGET AND BUDGETARY ACCOUNTING

The Township follows these procedures in establishing the budgetary data for the General Fund reflected in the financial statements:

The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to April 1, the budget is legally enacted through passage of a motion.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on December 31 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent on March 1 of the following year. The Township collects its own property taxes. Township property tax revenues are recognized when levied to the extent that they result in current receivables.

FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balances represent the assets that have been legally identified for specific purposes. Designated fund balances represent tentative plans for future use of financial resources.

RESTRICTED RESOURCES

When both restricted and unrestricted funds are available, it is the Township's policy to first apply restricted funds toward the expense incurred.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

RISK MANAGEMENT

The Township of Allen is exposed to various risks of loss related to property loss, damage or destruction, errors and omissions and injuries to employees. The Township has purchased commercial insurance to adequately cover these risk areas. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Township has implemented various elements of GASB 34.

The Township did not present government-wide financial statements to report the financial position and changes in financial position using full accrual accounting for all the Township's activities. In addition, the Township did not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year.

Since the Township did not present government-wide financial statements, capital assets of the government are not reported in the Township's financial statements as of March 31, 2006.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable. The GASB has determined that management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Because of the effects of the matters discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Allen as of March 31, 2006 or the changes in its financial position for the year then ended.

NOTE 2: CASH AND INVESTMENTS

At March 31, 2006 the book value of the Township's demand and time deposits, consisting of checking, savings, and certificates of deposit was \$177,569 with a corresponding bank balance of \$190,441. Qualifying demand and time deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each deposit type per bank. Of the bank's balance, approximately \$190,441 is insured, and no amounts are uninsured and uncollateralized.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE 2: CASH AND INVESTMENTS (CONCLUDED)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105,, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States government or Federal agency obligation repurchase agreements.
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Township's deposits are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE 3: DELINQUENT TAXES RECEIVABLE

The unpaid portion of property taxes levied against township property constitutes delinquent taxes receivable and are shown as due from other governments.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2006 receivables and payables between funds were as follows:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 58,064	\$
Agency Fund	<u> </u>	<u>58,064</u>
	<u>\$ 58,064</u>	<u>\$ 58,064</u>

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
MARCH 31, 2006

NOTE 5: INTERFUND TRANSFERS

Transfers between funds were made as follows:

FUND	TRANSFER IN	TRANSFER OUT
General Fund	\$ 810	\$ 4,444
Fire Grants Fund	4,444	778
Cemetery Care Fund	<u> </u>	<u>32</u>
	<u>\$ 5,254</u>	<u>\$ 5,254</u>

All transfers are considered a permanent reallocation of resources between funds to use for operating.

NOTE 6: FUND RESERVES

Fire Grants Fund - \$4,981 reserved for purchase of fire equipment.

Cemetery Care Fund - \$2,000 reserved for perpetual cemetery maintenance.

NOTE 7: UNIFORM BUDGET VIOLATION

The Township did not pass a general appropriations act (budget) for the Fire Grants Fund, a Special Revenue Fund. Furthermore, because of the omission, a budgetary comparison schedule for the Special Revenue Fund is not presented as required supplementary information.

REQUIRED
SUPPLEMENTARY INFORMATION

TOWNSHIP OF ALLEN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	FINAL TO ACTUAL
REVENUES				
Local sources	\$ 58,771	\$ 58,771	\$ 87,420	\$ 28,649
State sources	<u>97,959</u>	<u>97,959</u>	<u>98,532</u>	<u>573</u>
TOTAL REVENUES	<u>\$ 156,730</u>	<u>\$ 156,730</u>	<u>\$ 185,952</u>	<u>\$ 29,222</u>
EXPENDITURES				
General government	\$ 97,296	\$ 99,126	\$ 84,954	\$ 14,172
Roads and bridges	10,000	17,731	17,731	
Solid waste	8,000	8,000	7,960	40
Cemetery	15,000	15,000	11,983	3,017
Fire protection	22,000	34,082	33,171	911
Dust control	15,000	15,000	12,767	2,233
Parks and recreation	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	
TOTAL EXPENDITURES	<u>\$ 168,796</u>	<u>\$ 190,439</u>	<u>\$ 170,066</u>	<u>\$ 20,373</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (12,066)</u>	<u>\$ (33,709)</u>	<u>\$ 15,886</u>	<u>\$ 49,595</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	\$	\$	\$ (4,444)	\$ (4,444)
Operating transfers in			<u>810</u>	<u>810</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>\$</u>	<u>\$</u>	<u>\$ (3,634)</u>	<u>\$ (3,634)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (12,066)</u>	<u>\$ (33,709)</u>	<u>\$ 12,252</u>	<u>\$ 45,961</u>
FUND BALANCES - BEGINNING	<u>75,130</u>	<u>75,130</u>	<u>160,388</u>	<u>85,258</u>
FUND BALANCES - ENDING	<u><u>\$ 63,064</u></u>	<u><u>\$ 41,421</u></u>	<u><u>\$ 172,640</u></u>	<u><u>\$ 131,219</u></u>

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Township Board
Allen Township
Allen, Michigan

We have audited the financial statements of Township of Allen as of and for the year ended March 31, 2006 as listed in the table of contents, and have issued our report thereon dated May 26, 2006. We issued an adverse opinion on the financial statements taken as a whole because the Township did not present government-wide financial statements. We also disclaimed an opinion on the statements of fund balance because we were unable to verify the fund balances as of April 1, 2005. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Allen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Allen's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is solely intended for the information and use of the Township Board, and the State Treasury Department. However, this report is a matter of public record and its distribution is not limited.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
May 26, 2006



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

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COMMUNICATION TO AUDIT COMMITTEE

To the Township Board
Township of Allen
Allen, Michigan

We have audited the financial statements of Township of Allen for the year ended March 31, 2006, and have issued our report thereon dated May 26, 2006. Professional standards require that we provide you with the following information related to our audit.

1. **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Allen. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

2. **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Allen are described in Note 1 to the financial statements. We noted no transactions entered into by Township of Allen during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates made in the financial statements.

4. **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Allen's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit approximately four journal entries were made to the Township's financial statements. In our judgment, the above referenced entries indicate matters that could have a significant effect on the Township's financial reporting process.

5. **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Allen's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board. It is not intended to be and should not be used by anyone other than these specified parties.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
May 26, 2006



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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MANAGEMENT LETTER

To the Township Board
Township of Allen
Allen, Michigan

We have recently completed our audit of the records of Township of Allen as of and for the year ended March 31, 2006. In connection with the audit, we became aware of matters that are opportunities for strengthening management's control and operating efficiency. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

BUDGETING

1. It appears the Township is budgeting property tax revenues based on the prior year assessment and/or using the balance of funds remaining in the tax account.
2. The Board did not budget for any fire grant activity during the year.
3. The budget includes a section called "income and funds", however, not all account balances were listed.
4. The Board uses a line item described as "contingency" to make the budget balance.

Recommendation

We recommended the Township consider reviewing its budget process, to gain a better understanding of what should be included and how it is presented.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
May 26, 2006